

# TAX DEDUCTION

FOR UNITED STATES COMPANIES



**A small business may deduct, for the current tax year, the full purchase price of financed or leased equipment that qualifies for the deduction.**

Recent legislation creates tax savings opportunities for small business. US Tax Code Section 179 merits investigation if you are considering a capital purchase.

► Always consult your tax professional before making any decisions regarding the tax implications of a capital purchase.

### WHAT IS SECTION 179?

Section 179 of the IRS Tax Code allows a small business to deduct, for the current tax year, the full purchase price of financed or leased equipment that qualifies for the deduction. The equipment purchased or leased must be within the specified dollar limits of Section 179, and the equipment must be placed into service in the same tax year that the deduction is being taken (for tax year 2012, this means the equipment must be put into service between 01/01/2012 and 12/31/2012).

#### What impact did the Economic Stimulus Act of 2008 have on the Section 179 Deduction?

The Economic Stimulus Act of 2008 generously increased the limits of the Section 179 Deduction. The previous limits were \$125,000 for the deduction and the total amount of equipment purchased or leased for the year had to be less than \$500,000. The Economic Stimulus Act of 2008 increased the deduction limit to \$250,000, and now the total equipment purchased or leased needs to be less than \$800,000. It also added a one-time “bonus depreciation” on equipment that exceeded the \$250,000 deduction limit.

### IMPORTANT UPDATE FOR 2012

Section 179 limits for the year 2012 were increased by the ‘Jobs Act of 2010’ which allows businesses to write-off up to \$139,000 of qualified capital expenditures subject to a dollar-for-dollar

phase-out once these expenditures exceed \$560,000 in the 2012 tax year.

Bonus Depreciation was also increased to 50% by the 'Tax Relief Act of 2010' which allows larger businesses that exceed the \$560,000 cap to write-off 50% of qualified assets using first year Bonus Depreciation. Also, small businesses that are not profitable in 2012 can use 50% Bonus Depreciation (on new equipment only) and carry-forward the loss to future profitable years.

For more details visit:

[http://www.section179.org/section\\_179\\_deduction.html](http://www.section179.org/section_179_deduction.html)

Example of Section 179 Deduction:

[http://www.section179.org/section\\_179\\_deduction.html](http://www.section179.org/section_179_deduction.html)

Section 179 Deduction Calculator:

[http://www.crestcapital.com/tax\\_deduction\\_calculator](http://www.crestcapital.com/tax_deduction_calculator)